

Message Text

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ACTION STR-04

INFO OCT-01 STRE-00 ISO-00 IO-13 AF-10 ARA-10 EA-07

EUR-12 NEA-10 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 SIL-01 /138 W

-----030712 211849Z /42

R 211717Z JUN 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 8460

INFO AMEMBASSY BRUSSELS

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USMTN, USEEC,

ACTION STR

EO 11652: NA

TAGS: ETRD,IEC, MTN

SUBJ: COMMISSION VIEWS ON EC TRADE POLICY AND MTN

REF: BRUSSELS 6369

BEGIN SUMMARY: FULL-PAGE ARTICLE APPEARED JUNE 16 IN LE MONDE, PARIS, (SEE SEPTTEL FOR FULL TEXT) BY PHILLIP LEMAITRE WHICH PRESENTED VIEWS ATTRIBUTED TO CLAUDE CHEYSSON, COMMISSIONER OF DEVELOPMENT AFFAIRS, AND OTHER UNNAMED COMMISSION SOURCES ON PROSPECTS FOR THE MTN AND EVOLVEMENT OF EC TRADE POLICY. OCCASION OF ARTICLE/MEETING MEETING JUNE 16 OF EC DEVELOPMENT MINISTERS TO DISCUSS FIRST COMMISSION REFLECTIONS ON FUTURE OF EC TRADE POLICY. ARTICLE GIVES NO ENCOURAGEMENT TO U.S. HOPE FOR MAJOR LIBERALIZATION IN SOME AREAS (ESPECIALLY TARIFFS), WHILE ROOM FOR PROGRESS LIMITED OFFICIAL USE

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SUGGESTED IN OTHER AREAS (FOR EXAMPLE, AGRICULTURAL EXPORT SUBSIDIES). MTN DEL BELIEVES INFORMATION TO BE USEFUL BUT NOT NECESSARILY AUTHORITATIVE BACKGROUND FOR PREPARATION FOR U.S.-EC MTN BILATERALS NEXT MONTH. END SUMMARY.

1. JUNE 17 LE MONDE ARTICLE DESCRIBES THE EC SEARCH FOR TRADE POLICY THAT WILL ENABLE IT "TO CARRY ON AN OPEN TRADE POLICY WITHOUT UNBEARABLE TENSIONS." IT NOTES THAT THE EXPERIENCE OF PAST MONTHS HAS SHOWN THE INSUFFICIENCY OF THE CLASSIC INSTRUMENTS OF TRADE POLICY, PARTICULARLY IN DEALING WITH JAPAN AND THE MORE COMPETITIVE THIRD-WORLD COUNTRIES, AND THUS IS PESSIMISTIC ABOUT RESOLVING PROBLEMS IN THE MTN. THE ARTICLE ASSUMES THAT THESE PROBLEMS CANNOT BE ADDRESSED IN GATT AND THUS THE MTN ITSELF IS VIEWED AS BEING "MEANINGLESS" IN WORLD CHARACTERIZED BY CONTINUING HIGH UNEMPLOYMENT AND EXCHANGE INSTABILITY IN THE INDUSTRIALIZED COUNTRIES.

2. IN LIGHT OF THIS BACKGROUND, SPECIFIC EC OBJECTIVES IN THE MTN AREA ARE GIVEN AS FOLLOWS:

(A) TARIFFS. THE CXT IS VIEWED AS HAVING LITTLE ECONOMIC BUT MAJOR POLITICAL IMPORTANCE. THE EC COULD "AT THE VERY MOST" ENVISAGE AN AVERAGE TARIFF REDUCTION OF 10 TO 15 PERCENT, REPEAT 10 TO 15 PERCENT. STRESS WOULD BE ON HARMONIZATION OF THE TYPE Y EQUALS X. COMMENT: THIS LOW FIGURE COULD TAKE INTO ACCOUNT EXCEPTIONS TO THE FORMULA IN THE INDUSTRIAL AREA AND MINOR CUTS ON AGRICULTURAL PRODUCTS. END COMMENT.

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(B) NON-TARIFF BARRIERS. THE EC IS READY TO MAKE AN EFFORT TO ELIMINATE NTBS AS LONG AS THERE IS GENUINE RECIPROCITY. THE COMMUNITY WISHES THE U.S. TO RENOUNCE THE PROTOCOL OF PROVISIONAL APPLICATION, E.G. ON OUR APPLICATION OF COUNTERVAILING DUTIES WITHOUT INJURY TEST.

(C) AGRICULTURAL NEGOTIATIONS. BECAUSE OF INCREASINGLY INTERVENTIONIST AGRICULTURAL POLICIES UNDERTAKEN DOMESTICALLY BY THE U.S. GOVERNMENT, THE U.S. IS NO LONGER VIEWED AS SEEKING THE DESTRUCTION OF THE CAP. FOR ITS PART, THE EC, WHILE NOT BEING WILLING TO CONSIDER AN END TO ITS SYSTEM OF EXPORT AIDS TO AGRICULTURAL PRODUCTS, IS WILLING TO ACCEPT SOME DISCIPLINE ON THEIR USE. THIS COULD BE DONE AS LONG AS THE U.S. AGREED NOT TO MAKE "UNREASONABLE" USE OF CVDS WHICH ARE VIEWED AS A MENACE TO EC AGRICULTURAL EXPORTS.

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(D) SAFEGUARDS. IT WOULD BE USEFUL TO MODIFY ARTICLE XIX TO ALLOW "SAFEGUARDS /SANCTIONS" ON A SELECTIVE BASIS, TO BE APPLIED ONLY TO THOSE COUNTRIES WHICH ARE "PIRATE EXPORTERS".

3. LDCS. NOTING THAT 36 PERCENT OF EC EXPORTS GO TO LDCS AND THAT THE LDCS ARE "PRIORITY PARTNERS FOR EUROPE," THE ARTICLE STATES THAT THE EC COMMISSION IS READY TO PRESENT TO MEMBER STATES A DISCUSSION PAPER WHICH RECOMMENDS THAT "EFFORTS AT LIBERALIZATION BE UNDERTAKEN

BY THE COMMUNITY SELECTIVELY AND CONDITIONALLY." THE MAIN ELEMENTS ARE AS FOLLOWS:

(A) THE EC SHOULD NOT LOWER ITS TRADE BARRIERS ON LDC PRODUCTS WHICH ARE PRODUCED PRIMARILY FOR THE PURPOSE OF FLOODING THE EC MARKET. OPERATIONALLY, THIS MEANS THAT BEFORE THE EC LOWERS ITS TARIFFS ON LDC EXPORTS THERE WOULD BE AN EVALUATION OF THE RATIO OF EXPORTS TO DOMESTIC PRODUCTION FOR EACH LIMITED OFFICIAL USE

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PRODUCT IN EACH LDC. (PRESUMABLY, IF THE RATIO WERE EQUAL TO 100 PERCENT, THERE WOULD BE NO CONCESSION

GRANTED.)

(B) THE EC SHOULD NOT GRANT PREFERENTIAL TREATMENT TO COUNTRIES WHICH DO NOT RESPECT RULES OF THE INTERNATIONAL LABOR ORGANIZATION CONCERNING WORKING CONDITIONS AND THE EMPLOYMENT OF WOMEN AND CHILDREN.

(C) LIBERALIZING ITS BARRIERS TO LDC EXPORTS SHOULD BE MADE CONDITIONAL UPON THE DEVELOPMENT OF SOME FORM OF LDC RECIPROCITY. ONE EXAMPLE IS GIVEN--A CEILING ON LDC EXPORTS BY COUNTRY, WHICH WOULD BE RAISED FOR EACH COUNTRY IN PROPORTION TO THE GROWTH OF EC EXPORTS TO THE SAME COUNTRY.

4. COMMENT: A MEMBER OF THE GENEVA EC DELEGATION WHO HAD READ THE ARTICLE CONFIRMED THAT THE VIEWS PRESENTED ON LDCS WERE THOSE OF CHEYSSON. BUT SOURCE OF VIEWS ON TARIFFS, NTBS AND AGRICULTURE WERE UNKNOWN TO SOURCE. WE WOULD APPRECIATE USEC VIEWS ON ARTICLE. END COMMENT.GRAEF

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